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RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY
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E.O. 12958: DECL: 04/03/2019
TAGS: [PINR](#) [PINS](#) [MARR](#) [PGOV](#) [PREL](#) [AS](#)
SUBJECT: AUSTRALIAN DEPSEC DENIES DSD INVESTIGATED DEFENSE
MINISTER FITZGIBBON

REF: A. CANBERRA 335
[1](#)B. CANBERRA 313

Classified By: Political Counselor James F. Cole; Reasons: 1.4 (b)(c)(d).

SUMMARY

[1](#)1. (C/NF) In a message he wanted to pass to the the USG, particularly the U.S. intelligence community, the Australian Deputy Secretary of Defense responsible for intelligence and security summoned emboffs to his office March 31 to emphatically deny recent press reports suggesting that the Defence Signals Directorate (DSD) had used its capabilities to spy on Defence Minister Fitzgibbon. His denial was based on a thorough internal ADoD investigation, he told us. Merchant confirmed that the GOA had commenced a formal investigation of the press allegations across the entire Australian intelligence community (AIC) in which DSD would participate. Merchant intimated the episode was a fabrication by a journalist known for distorting the truth. (The press item had alleged the ADoD investigated Fitzgibbon over his ties to a Chinese-born Sydney businesswoman, Helen Liu (reftels). Fitzgibbon subsequently admitted Liu had sponsored his trips to China in 2002 and 2005 when he was a member of Parliament in the opposition party, and arranged for him to sublet an apartment in Canberra belonging to the Liu family.) End summary.

[1](#)2. (C/NF) During a 31 March 09 meeting called by Australian Deputy Secretary of Defense for Intelligence and Security Stephen Merchant, he advised ORACOUNS and POLOFF that the Australian Department of Defence (ADoD) had "turned the place upside down" since press articles surfaced on 25 March containing allegations of unauthorized Defence Signals Directorate (DSD) spying against computers and phones belonging to Minister of Defense Joel Fitzgibbon (reftels.) Mr. Merchant said it was important to the Government of Australia and ADoD that the USG and USIC know unequivocally that there is nothing to these press allegations and that DSD has not used any of its capabilities to spy on the Minister.

[1](#)3. (C/NF) Mr. Merchant confirmed that Ian Carnell, the Inspector General for Intelligence and Security (IGIS), has opened a formal investigation of the press allegations and will be investigating them across the Australian Intelligence Community (AIC). As Carnell's jurisdiction does not extend to non-intelligence parts of ADoD, Mr. Merchant explained that

he and Defense Secretary Warner immediately launched an intensive investigation across ADoD. They will be cooperating with Mr. Carnell throughout the formal investigation. Deputy Director DSD Michael Burgess has assumed lead responsibility in DSD for interactions with both Carnell and Defense Secretary Warner. The investigation is expected to take several months.

¶4. (C/NF) Mr. Merchant explained that the original articles pertaining to DSD's alleged involvement in spying on the minister were penned by Canberra Times journalist Philip Dorling. Dorling, according to Merchant, is no stranger to yellow journalism; he is especially known for investigative journalism efforts to discredit the government (regardless of the party in power). He's been proven wrong in several of his investigative journalist forays. He's begun admitting in his more recent articles that he was wrong about the DSD angle, but has buried such admissions at the end of long pieces.

¶5. (C/NF) Merchant sought assurances that the embassy understood the message that DSD was not/not involved in any inappropriate activities, to which ORACOUNS responded that when the story broke last week, director DSD Ian McKenzie gave his strong personal assurances that DSD was not/not involved in the alleged activities. ORACOUNS thanked Mr. Merchant for his message, adding that it helps correct the press allegations for the record.

¶6. (C/NF) COMMENT: Mr. Merchant was deliberate--and emphatic--in stressing the history of sensational media reporting, especially with regard to defense and intelligence issues. He made a point of differentiating this episode from

other stories, specifically drawing a line between a media culture of selective "leaks" versus outright fiction in the form of "mischief making."

¶7. (C/NF) COMMENT Cont'd: Other aspects of the press articles pertaining to the 16-year relationship between Fitzgibbon and Australian-based, Chinese born Helen Liu aka Liu Haiyan remain noteworthy. Mr. Merchant made a brief reference to Ms. Liu but offered nothing new beyond press reporting.

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